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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #05204-85/1
21 October 1985

MEMORANDUM FOR: Distribution

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: Special Interagency Philippine Analytic Group Meeting

1. Representatives of the Intelligence Community met on 16 October to consider the attached subjects.

2. Next month's Special Interagency Philippine Analytic Group Meeting will be held on 13 November 1985 at 1500 hours in Room 7E62, CIA Headquarters. Recommendations for discussion topics should be forwarded to this office by COB 1 November 1985.

3. Attendees from outside agencies are advised to arrive early to avoid parking problems created by construction work. For your convenience, please enter the compound through Gate 1, the Route 123 entrance. Please telephone attendance intentions to [redacted] and have your clearances verified to us by your security office by COB 8 November 1985. 25X1

Carl W. Ford, Jr.

Attachment

16 October 1985 Special Interagency Philippine
Analytic Group Report

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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: 16 October 1985 Special Interagency Philippine Analytic Group Meeting

Conditions in the Philippines

Marjorie Niehause, State/INR, reviewed observations made during her recent trip to the Philippines. The trip focused on the moderate political opposition in Manila, however, there also were visits to Negros, Bicol, Isabella, Cebu City, Baculan, and Laguna. The subject most frequently raised by residents of these areas was the communist insurgency. Almost everyone could cite some recent example of the impact of the insurgency, such as kidnappings, murders, or attacks on nearby government installations. The impression gained was that the insurgency is spreading not just by its own efforts, but by default; as government and military authorities retreat, the CPP and NPA occupy the vacuum they leave behind. Many people mentioned the need for military reform and their concern about the impending reinstatement of General Ver. The military reform movement appears much weaker than the press describes--suggesting that Marcos may be using the planted articles about the "movement" to diffuse legitimate calls for reform. One final observation was that the deteriorating economy is impacting almost everyone, either through hunger, income or both.

The Moderate Opposition

The two names most mentioned as leading candidates for President are Salvador Laurel and Cory Aquino. As many as 85 percent of the opposition appear ready to coalesce behind one or both of these candidates in an election. The backers of Laurel and Cory Aquino appear to be working together closely. The opposition is not, however, without diversity; moderates are drawing away from radicals and some liberals may be acting as stalking horses for other candidates. One underlying theme was that although there was closer cooperation amongst various opposition elements, no one believes the opposition has a chance of winning an election if Marcos

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runs. (NOTE: Even if Marcos were to leave the scene by death or incapacitation, we see no guarantee that the opposition would hold together as the various elements scramble for the presidency.) Grassroots support for the opposition is still lacking. While the UNIDO office reports having slates of candidates in 30 provinces and NAMFREL reports having representatives in 90 percent of the districts, there is little evidence that a competitive political organization, comparable to that being developed by the communists, is evolving anywhere in the country outside Manila.

Forecast

The opposition sees no hope of beating Marcos. They seem to be operating on the hope that he will die, and they will be able to run against some other KBL candidate.

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An Assessment of the Recently Announced Reforms and Enlargement of the Armed Forces of the Philippines

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1. [redacted] OEA reported that the new reforms, specifically the formation of new battalions, appears to be more cosmetic than real. The few units that have been formed appear to result from the assignment of headquarters and logistic support personnel to new battalions. Although eight new battalions have been recently announced, we can only confirm two. Three others which were recently identified in the Philippine press as having been deployed may be the result of changes that took place over a year ago.

2. In addition to the new AFP units being reported, there are rumors that local security forces, the national police and the Philippine constabulary may be removed from the control of the Chief of Staff and the Defense Minister and be assigned to the Ministry of the Interior or the Ministry of Public Safety which may be headed by General Ver. Marcos has sidestepped questions on this issue, indicating that many other problems, such as the overstaying generals and General Ver's reinstatement, must be settled before any action on a matter like this could take place.

Forecast

We think it unlikely that there will be a significant reorganization or enlargement of the Philippines armed forces. Although a great deal of public statements may be made both for domestic and US consumption, we believe changes will be more cosmetic than real. Furthermore, there is almost no prospect that a reorganization of the Philippine constabulary is likely in the foreseeable future.

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[redacted]

Philippine Economic Indicators: What They Will Tell Us

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[redacted] DEA described an index of economic indicators which has been developed to help assess current trends in the Philippine economy. The index indicates when a turning point in the economy has been reached. Three of the indicators in the index are concurrent and five are leading.

What the Indicators Are Telling Us

1. The index is being used to analyze the current economic performance of the Philippines. Based on that analysis, we see the economy leveling off from its two-year decline and, at best, a zero percent growth is likely for the last half of this year. This will be the best growth since 1983, the rate during intervening years having been negative.

2. It appears that Marcos is likely to follow a do nothing policy between now and the 1986-87 elections. Even if that is the case, the economy in the Philippines could gradually improve; not sufficiently by 1986 to impact on the election for the local officials, but possibly enough in 1987 that Marcos would be able to cite the progress in his bid for reelection. Other policy options which would be available to Marcos in the economic area would produce more rapid gains but would come at the cost of political leverage or the economic well being of his cronies. We doubt he will take either of these other options.

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[redacted]

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